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SUBJECT: GOK LIKELY TO REACTIVATE OFFSET PROGRAM SOON

REF: 2004 KUWAIT 4366

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[11.](#) (U) At a July 11 signing ceremony between Boeing and the Ministry of Finance for an offset program project (reftel), the Minister of Finance said that Kuwait "has to go along with the program," indicating that the offset program, suspended in September 2004, would be reactivated. (Note: The signing ceremony was for an offset project dating from a contract between Boeing and the GOK in the 1990's. End Note.)

In September 2004, the Council of Ministers decided to suspend implementation of the offset program for all new government contracts in the military and civilian sectors pending further review by the Ministry of Finance. A six-month review of the program was to take place, at the end of which the offset program would either be modified, reinstated or discontinued. No contracts awarded during the review period will carry an offset requirement.

[12.](#) (SBU) Ministry of Finance Offset Program Department Director Mazan Madooh confirmed to Econ Officer after the signing ceremony that the program would likely be reactivated soon. He said that the Ministry of Finance would bring its recommendation to the next Council of Ministers meeting on July 17 and that the Council could choose to reactivate the program on that date or shortly thereafter. He said that there would be a one-to-two month grace period before the program actually goes into effect again. Asked about the potential for an offset requirement in the project to develop Kuwait's northern oilfields (Project Kuwait), Madooh said that he did not think that there would be an offset requirement and that all projects involving exploration and development of natural resources would be exempt from offset requirements.

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